

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

TABLE OF CONTENTS

	<u>Page No.</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	Exhibit
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 11-12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 13-14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 15-16
Notes to Financial Statements	17-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	32-33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	Schedule
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 35-36
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	2 37
Schedule of Indebtedness	3 38-40
Bond and Note Maturities	4 41-43
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	5 44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-47
Schedule of Findings	48-51

**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
Virgil Murray	Mayor	January 2012
Roger Michels	Council Member	January 2010
Willard Meyer	Council Member	January 2010
Michael Dempewolf	Council Member	January 2012
Brian Bormann	Council Member	January 2012
Gary Feuerbach	Council Member	January 2010
Loras Herrig	Administrator	July 2011
Janet Callaghan	City Clerk	July 2011
Mark Lawson	Attorney	July 2011
Cindy Blake	Assistant Clerk	July 2011
Lynn Schwager	Police Chief	July 2011
Chuck Kueter	Street Supt.	July 2011

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bellevue's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2010, on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
March 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts included \$667,720 in property tax, \$297,412 in TIF, \$170,662 in local option tax, \$194,979 in road use tax.
- Disbursements increased 26.6% in fiscal 2009 from fiscal 2008, a total of \$1,579,693. Disbursements in governmental activities increased 30.7%, a total of \$703,361, while business type activities disbursements increased \$876,332 or 24.0%.
- The City's total cash basis net assets decreased \$784,266 or 53.4% from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased \$368,319 and the assets of the business type activities decreased \$1,152,585.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and telecommunications services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$(16,130) to \$352,189. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2009	2008
Receipts and transfers:		
Program Receipts:		
Charges for services	54,313	55,558
Operating grants, contributions and restricted interest	257,254	269,975
Capital grants, contributions and restricted interest	143,114	111,482
General Receipts:		
Property tax	667,720	644,719
Tax increment financing	297,412	293,229
Local option sales tax	170,662	169,377
Unrestricted investment earnings	5,038	17,715
Note proceeds	1,470,000	---
Other general receipts	45,086	55,866
Transfers, net	250,479	241,095
	-----	-----
Total receipts and transfers	3,361,078	1,859,016
	-----	-----
Disbursements:		
Public safety	590,501	406,646
Public works	476,719	419,147
Culture and recreation	297,908	240,738
Community and economic development	70,805	7,053
General government	327,883	327,948
Debt service	876,026	456,016
Capital projects	352,917	431,850
	-----	-----
Total disbursements	2,992,759	2,289,398
	-----	-----
Increase (decrease) in cash basis net assets	368,319	(430,382)
Cash basis net assets beginning of year	(16,130)	414,252
	-----	-----
Cash basis net assets end of year	352,189	(16,130)
	=====	=====

Total receipts for the City's governmental activities increased by 80.8%, or \$1,502,062. The total cost of all programs and services increased 30.7%, or \$703,361. The decrease in receipts was caused by a major increase in loans. In 2009, the city borrowed a large amount for Walkways For Life, street projects and the fire department tanker.

The increase in expenditures was caused by paying off a \$400,000 short-term loan, softball diamond improvements, street projects and fire equipment purchases.

The cost of all governmental activities this year was \$2,992,759 compared to \$2,289,398 last year.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charge for services:		
Water	278,164	284,616
Electric	1,702,546	1,723,474
Sewer rental	387,591	385,935
Sanitation	286,504	264,653
Ambulance	129,390	118,783
Telecommunications	687,850	517,806
Operating grants, contributions and restricted interest	7,200	7,200
Capital grants, contributions and restricted interest	17,000	41,100
General receipts:		
Unrestricted interest on investments	29,347	51,134
Miscellaneous	98,493	94,335
Proceeds of debt	---	740,000
	-----	-----
Total receipts	3,624,085	4,229,036
	-----	-----
Disbursements and transfers:		
Water	344,323	240,204
Electric	1,565,169	1,445,159
Sewer rental	564,397	382,785
Sanitation	248,730	238,750
Ambulance	94,177	64,089
Telecommunications	1,700,524	1,266,505
Customer's deposits	8,871	12,367
Transfers, net	250,479	241,095
	-----	-----
Total disbursements and transfers	4,776,670	3,890,954
	-----	-----

Changes in Cash Basis Net Assets of Business Type Activities (Continued)

Increase (decrease) in cash basis net assets	(1,152,585)	338,082
Cash basis net assets beginning of year	1,485,531	1,147,449
	-----	-----
Cash basis net assets end of year	332,946	1,485,531
	=====	=====

Total business type activities receipts for the fiscal year were \$3,624,085 compared to \$4,229,036 last year. The decrease in receipts was due to no borrowing.

Total disbursements and transfers for the fiscal year were \$4,776,670 compared to \$3,890,954 last year. Disbursements increased due to the telecommunication, water and electric projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$352,189, an increase of \$368,319 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance increased from \$166,816 to \$509,382. Proceeds of debt reimbursed expenditures already made.
- The TIF District Fund cash balance decreased from \$536 to \$(496). The TIF payout was larger than anticipated.
- The Capital Projects Fund cash balance decreased from \$(349,761) to \$(369,106). The Walkways For Life Project was completed. State grants will offset this deficit.
- The Debt Service Fund cash balance did not change significantly during fiscal year 2009.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance decreased from \$324,911 to \$241,717 as infrastructure improvements were made.
- The Electric Fund cash balance increased from \$576,744 to \$665,773. This reserve is still lower than desired. The industry normally recommends that you have six months of operating expenses in reserve and at this time we have approximately five months. Further rate increases will be needed to increase reserves.
- The Sewer Fund cash balance decreased from \$123,845 to \$(75,487). This fund will be analyzed to determine future cash flow needs. Infrastructure improvements depleted funds. Rates will be increased to compensate.

- The Ambulance Fund cash balance increased from \$94,109 to \$134,083. This fund continues to grow in anticipation of an ambulance purchase.
- The Telecommunications Fund cash balance decreased from \$87,464 to \$(905,017). The Project has now been completed. Further debt and operating revenue will replenish the fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2009 to provide for unanticipated expenditures.

The City's receipts for charges for services were under budget by \$131,368. This was primarily due to over-optimistic estimates.

The City's total disbursements were under budget by \$1,269,487. The actual disbursements for the public safety, public works, culture and recreation, community and economic development, capital projects, and business type activities were \$122,917, \$132,328, \$313,697, \$228,689, \$185,175, and \$695,546, respectively, less than the amended budget. This was primarily due to conservative estimates and project timing. The City exceeded the amount budgeting in the debt service function for the year ended June 30, 2009 due to payoff of interim financing.

DEBT ADMINISTRATION

At June 30, 2009, the city had \$5,501,700 in long-term debt, compared to \$5,117,648 last year, as shown below.

Outstanding Debt at Year-end		
	June 30,	
	2009	2008
General obligation notes	2,475,740	1,882,685
Revenue bonds	2,583,108	2,794,522
Other obligations	442,852	440,441
	-----	-----
Total	5,501,700	5,117,648
	=====	=====

Debt increased as a result of Walkways For Life and street projects. Total principal paid during the year was \$1,085,948.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,475,740 is significantly below its constitutional debt limit of \$5,837,141.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2010. Total revenues anticipated are \$7,300,000, an increase from 2009 where total actual receipts were \$6,734,684. The city is still completing some major projects, but anticipates overall spending should decrease after 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC
FINANCIAL
STATEMENTS**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Public safety	\$ 590,501	\$ 5,195	\$ 33,239	\$ 35,618	\$ (516,449)	\$ ---	\$ (516,449)
Public works	476,719	---	194,979	40,834	(240,906)	---	(240,906)
Culture and recreation	297,908	34,525	29,036	---	(234,347)	---	(234,347)
Community and economic development	70,805	---	---	---	(70,805)	---	(70,805)
General government	327,883	14,593	---	---	(313,290)	---	(313,290)
Debt service	876,026	---	---	---	(876,026)	---	(876,026)
Capital projects	352,917	---	---	66,662	(286,255)	---	(286,255)
Total Governmental Activities	\$ 2,992,759	\$ 54,313	\$ 257,254	\$ 143,114	\$ (2,538,078)	\$ ---	\$ (2,538,078)
Business Type Activities:							
Water	\$ 344,323	\$ 278,164	---	\$ ---	\$ ---	\$ (66,159)	\$ (66,159)
Electric	1,468,900	1,702,546	---	---	---	233,646	233,646
Electric - capital equipment	96,269	---	---	---	---	(96,269)	(96,269)
Sewer rental	357,572	387,591	---	---	---	30,019	30,019
Sewer capital	206,825	---	---	---	---	(206,825)	(206,825)
Sanitation	248,730	286,504	---	---	---	37,774	37,774
Ambulance	94,177	129,390	7,200	17,000	---	59,413	59,413
Telecommunications	1,700,524	687,850	---	---	---	(1,012,674)	(1,012,674)
Customer deposits	8,871	---	---	---	---	(8,871)	(8,871)
Total Business Type Activities	\$ 4,526,191	\$ 3,472,045	\$ 7,200	\$ 17,000	\$ ---	\$ (1,029,946)	\$ (1,029,946)
Total Primary Government	\$ 7,518,950	\$ 3,526,358	\$ 264,454	\$ 160,114	\$ (2,538,078)	\$ (1,029,946)	\$ (3,568,024)

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	Program Receipts				Primary Government			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total	
General Receipts:								
Property tax levied for:					\$ 609,904	\$ ---	\$	609,904
General purposes					57,816	---		57,816
Debt service					297,412	---		297,412
Tax increment financing					170,662	---		170,662
Local option sales tax					4,678	---		4,678
Other city tax					5,038	29,347		34,385
Unrestricted interest on investments					---	64,089		64,089
Interfund debt repayment					25,937	34,404		60,341
Miscellaneous					1,470,000	---		1,470,000
Proceeds of debt					14,471	---		14,471
Sale of capital assets					250,479	(250,479)		---
Transfers								
Total General Receipts and Transfers					\$ 2,906,397	\$ (122,639)	\$	2,783,758
Change in Cash Basis Net Assets					\$ 368,319	\$ (1,152,585)	\$	(784,266)
Cash Basis Net Assets Beginning of Year					(16,130)	1,485,531		1,469,401
Cash Basis Net Assets End of Year					\$ 352,189	\$ 332,946	\$	685,135
Cash Basis Net Assets:								
Restricted:								
Streets					\$ 135,434	\$ ---	\$	135,434
Debt service					28,376	---		28,376
Other purposes					48,599	---		48,599
Unrestricted					139,780	332,946		472,726
Total Cash Basis Net Assets					\$ 352,189	\$ 332,946	\$	685,135

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	General	Capital Projects	TIF District	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:						
Property tax	\$ 450,276	\$ ---	\$ ---	\$ 57,816	\$ 159,628	\$ 667,720
Tax increment financing collections	---	---	297,412	---	---	297,412
Other city tax	85,331	---	---	---	85,331	170,662
Licenses and permits	14,593	---	---	---	---	14,593
Use of money and property	10,299	---	135	25	1,506	11,965
Intergovernmental	67,824	---	---	2,333	235,813	305,970
Charges for services	30,433	---	---	---	---	30,433
Miscellaneous	56,916	33,572	---	---	36,885	127,373
Total Receipts	\$ 715,672	\$ 33,572	\$ 297,547	\$ 60,174	\$ 519,163	\$ 1,626,128
Disbursements:						
Operating:						
Public safety	\$ 430,863	\$ ---	\$ ---	\$ ---	\$ 159,638	\$ 590,501
Public works	76,731	---	---	---	399,988	476,719
Culture and recreation	297,908	---	---	---	---	297,908
Community and economic development	1,000	---	69,805	---	---	70,805
General government	327,883	---	---	---	---	327,883
Capital Projects	---	352,917	---	---	---	352,917
Debt service						
Principal	400,000	---	---	394,534	---	794,534
Interest and fiscal charges	11,053	---	---	70,439	---	81,492
Total Disbursements	\$ 1,545,438	\$ 352,917	\$ 69,805	\$ 464,973	\$ 559,626	\$ 2,992,759
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (829,766)	\$ (319,345)	\$ 227,742	\$ (404,799)	\$ (40,463)	\$ (1,366,631)

See notes to financial statements.

EXHIBIT "B" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	General	Capital Projects	TIF District	Debt Service	Other Nonmajor Governmental Funds	Total
Other Financing Sources (Uses):						
Proceeds of debt	\$ 800,000	\$ 300,000	\$ ---	\$ ---	\$ 370,000	\$ 1,470,000
Sale of capital assets	3,196	---	---	---	11,275	14,471
Operating transfers in	510,412	---	---	406,307	---	916,719
Operating transfers out	(141,276)	---	(228,774)	---	(296,190)	(666,240)
Total Other Financing Sources (Uses)	\$ 1,172,332	\$ 300,000	\$ (228,774)	\$ 406,307	\$ 85,085	\$ 1,734,950
Net Change in Cash Balances	\$ 342,566	\$ (19,345)	\$ (1,032)	\$ 1,508	\$ 44,622	\$ 368,319
Cash Balances Beginning of Year	166,816	(349,761)	536	26,868	139,411	(16,130)
Cash Balances End of Year	\$ 509,382	\$ (369,106)	\$ (496)	\$ 28,376	\$ 184,033	\$ 352,189
Cash Basis Fund Balances:						
Reserved for debt service	\$ ---	\$ ---	\$ ---	\$ 28,376	\$ ---	\$ 28,376
Unreserved:						
Designated for:						
Police squad car	2,396	---	---	---	---	2,396
General fund	506,986	---	---	---	---	506,986
Special revenue funds	---	---	(496)	---	184,033	183,537
Capital projects fund	---	(369,106)	---	---	---	(369,106)
Total Cash Basis Fund Balances	\$ 509,382	\$ (369,106)	\$ (496)	\$ 28,376	\$ 184,033	\$ 352,189

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

Enterprise Funds

	Water	Electric	Sewer Rental	Sanitation	Ambulance	Telecom- munications	Other Nonmajor Enterprise Funds	Total
Operating Receipts:								
Use of money and property	\$ ---	\$ 3,278	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,278
Charges for service	278,164	1,699,268	387,591	286,504	129,390	687,850	---	3,468,767
Miscellaneous	2,226	17,548	1,436	437	231	2,690	9,836	34,404
Total Operating Receipts	\$ 280,390	\$ 1,720,094	\$ 389,027	\$ 286,941	\$ 129,621	\$ 690,540	\$ 9,836	\$ 3,506,449
Operating Disbursements:								
Business type activities	\$ 304,323	\$ 1,468,900	\$ 357,572	\$ 248,730	\$ 94,177	\$ 1,503,739	\$ 105,140	\$ 4,082,581
Excess(Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ (23,933)	\$ 251,194	\$ 31,455	\$ 38,211	\$ 35,444	\$ (813,199)	\$ (95,304)	\$ (576,132)
Non-Operating Receipts (Disbursements):								
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,200	\$ ---	\$ ---	\$ 7,200
Interest on investments	6,711	15,462	1,210	---	1,795	218	3,951	29,347
Contributions	---	---	---	---	5,000	---	12,000	17,000
Interfund debt repayments	---	---	---	---	---	---	64,089	64,089
Debt service:								
Principal	(40,000)	---	---	---	---	(91,415)	(160,000)	(291,415)
Interest and fiscal charges	---	---	---	---	---	(105,370)	(46,825)	(152,195)
Total Non-Operating Receipts (Disbursements)	\$ (33,289)	\$ 15,462	\$ 1,210	\$ ---	\$ 13,995	\$ (196,567)	\$ (126,785)	\$ (325,974)

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds					Other Nonmajor		
	Water	Electric	Sewer Rental	Sanitation	Ambulance	Telecom- munications	Enterprise Funds	Total
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (57,222)	\$ 266,656	\$ 32,665	\$ 38,211	\$ 49,439	\$ (1,009,766)	\$ (222,089)	\$ (902,106)
Other Financing Sources (Uses):								
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 100,000	\$ 206,025	\$ 306,025
Operating transfers out	(25,972)	(177,627)	(231,997)	(28,728)	(9,465)	(82,715)	---	(556,504)
Total Other Financing Sources (Uses)	\$ (25,972)	\$ (177,627)	\$ (231,997)	\$ (28,728)	\$ (9,465)	\$ 17,285	\$ 206,025	\$ (250,479)
Net Change in Cash Balances	\$ (83,194)	\$ 89,029	\$ (199,332)	\$ 9,483	\$ 39,974	\$ (992,481)	\$ (16,064)	\$ (1,152,585)
Cash Balances Beginning of Year	324,911	576,744	123,845	19,418	94,109	87,464	259,040	1,485,531
Cash Balances End of Year	\$ 241,717	\$ 665,773	\$ (75,487)	\$ 28,901	\$ 134,083	\$ (905,017)	\$ 242,976	\$ 332,946
Cash Basis Fund Balances:								
Unreserved Cash Basis Fund Balances	\$ 241,717	\$ 665,773	\$ (75,487)	\$ 28,901	\$ 134,083	\$ (905,017)	\$ 242,976	\$ 332,946

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable T.V. utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, and East Central Intergovernmental Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Capital Projects Fund is used to account for all resources used in making improvements to the park.

The TIF District Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

The Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

The Ambulance Fund is used to account for the operation and maintenance of the City's ambulance service.

The Telecommunications Fund is used to account for the operation and maintenance of the City's cable television system.

C. Measurement Focus and Basis of Accounting

The City of Bellevue maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resource to such programs followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 2 - Cash and Pooled Investments:

The City's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 - Notes Payable:

Annual debt service requirements to maturity for general obligation notes, revenue notes, and tax increment financing notes are as follows:

Year Ending June 30	General Obligation Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2010	\$ 333,097	\$ 101,869	\$ 219,568	\$ 135,842
2011	348,097	87,938	229,932	124,603
2012	308,096	73,603	245,600	112,759
2013	307,850	61,368	256,590	100,049
2014	312,850	48,756	272,920	86,615
2015-2019	865,750	75,084	697,852	286,072
2020-2023	---	---	660,646	72,588
	<u>\$ 2,475,740</u>	<u>\$ 448,618</u>	<u>\$ 2,583,108</u>	<u>\$ 918,528</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 - Notes Payable: (Continued)

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2010	\$ 71,089	\$ ---	\$ 623,754	\$ 237,711
2011	71,089	---	649,118	212,541
2012	71,089	---	624,785	186,362
2013	71,085	---	635,525	161,417
2014	47,000	---	632,770	135,371
2015-2019	111,500	---	1,675,102	361,156
2020-2023	---	---	660,646	72,588
	<u>\$ 442,852</u>	<u>\$ ---</u>	<u>\$ 5,501,700</u>	<u>\$ 1,367,146</u>

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2009.

Revenue Notes:

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,700,000 in sewer revenue notes issued on February 1, 1999. Proceeds from the notes provided financing for constructing improvements and extensions to the Municipal Sanitary Sewer System of the City. The notes are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$800,555. For the current year, principal and interest paid and total customer net receipts were \$159,145 and \$31,455, respectively.

The City has pledged future cable TV customer receipts, net of specified operating disbursements, to repay \$2,000,000 in telecommunications utility revenue notes issued March 7, 2008. Proceeds from the notes provided financing for improving and upgrading the City's telecommunications system. The notes are payable solely from cable TV customer net receipts and are payable through 2023. Annual principal and interest payments on the notes are expected to require less than 100 percent of the receipts. Total principal and interest remaining to be paid on the notes is \$2,701,082. For the current year, principal and interest paid and total customer net receipts were \$196,784 and \$(813,199), respectively.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 - Notes Payable: (Continued)

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

General Obligation Notes:

On May 10, 1999, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Corporate Purpose Notes.

On January 1, 2000, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$400,000 in General Obligation Sewer Improvement Notes.

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On December 29, 2003, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Community/Senior Center Notes.

On August 15, 2005, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Street Improvement Notes.

On August 1, 2006, the City entered into a loan agreement with Iowa Bank and provided for the issuance of \$79,580 in General Obligation Street Equipment Notes.

On September 1, 2006, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$1,850,000 in General Obligation Corporate Purpose Notes.

On May 29, 2009, the City entered into a loan agreement with Iowa Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 - Notes Payable: (Continued)

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Iowa Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On August 13, 2008, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$400,000 in General Obligation Street/Sewer Improvement Notes.

Other Obligations:

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

On June 30, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$400,000 expended for municipal wells. This amount will be repaid in annual installments of \$40,000 with the final payment due December 1, 2015.

On September 16, 2008, the City of Bellevue entered into a loan agreement to repay the Iowa Department of Public Safety \$70,000 for a fire truck. This amount will be repaid in semi annual installments of \$3,500 with the final payment due December 1, 2018.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 4 - Pension and Retirement Benefits:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$71,420, \$62,529, and \$58,899, respectively, equal to the required contributions for each year.

Note 5 - Development Agreements:

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under several of the agreements are not subject to annual appropriation by the City Council; however, the amount of the City's obligation cannot be determined.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 5 - Development Agreements: (Continued)

These agreements require the City to rebate all of the incremental tax for a period not to exceed 10 years with no predetermined maximum amount to be paid. The City has rebated a total of \$361,095 of incremental tax under these agreements. Of this amount, \$66,283 was paid during the current year. The obligation under the other agreement is subject to annual appropriation by the City Council. The total to be paid by the City under this agreement is not to exceed \$28,808. The City has rebated a total of \$7,044 under this agreement. Of this amount \$3,522 was paid during the current year.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

Note 6 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 6 - 28 E Agreements: (Continued)

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2009, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 9 - September 11, 2009 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 7 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

Note 8 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2009, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 77,750
	=====

The liability has been computed based on rates of pay as of June 30, 2009.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 9 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue:	
	Employee Benefits	\$ 159,933
	Enterprise:	
	Water	25,972
	Electric	177,627
	Sewer Rental	25,972
	Sanitation	28,728
	Ambulance	9,465
	Telecommunications	82,715

		\$ 510,412

Debt Service	General	\$ 41,276
	Fire Department Capital	3,500
	Special Revenue:	
	TIF - District	228,774
	LOT - Street Improvement	61,074

		\$ 334,624

Enterprise:	Enterprise:	
Sewer Capital	Sewer Rental	\$ 206,025
Telecommunications	General	100,000

Total		\$ 306,025
		=====

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move "in lieu of tax" payments from the enterprise funds, and (4) provide capital contributions.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 10 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$96,802.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 10 - Risk Management: (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 11 - Deficit Fund Balance:

The Special Revenue, TIF District Fund had a deficit balance of \$496 at June 30, 2009. The City increased the TIF request for 2010 to cover the shortfall. The Capital Projects Fund had a deficit balance of \$369,106 at June 30, 2009. The City will be receiving grant funds from the State of Iowa to cover the shortage. The Sewer Rental Fund had a deficit balance of \$75,487 at June 30, 2009. The City is refinancing the debt of the wastewater utility and has raised rates to replenish the fund. The Telecommunications Fund had a deficit balance of \$905,017 at June 30, 2009. The City is refinancing the telecommunications debt and has raised rates to replenish the fund.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 12 - Related Party Transactions:

The City had business transactions between the City and City officials totaling \$1,885 during the year ended June 30, 2009.

Note 13 - Subsequent Events:

In November 2009, the City issued \$250,000 of general obligation notes for constructing water and sanitary sewer improvements.

In September 2009, the City approved a contract for \$657,954 for the construction of the Spiegel Development Water Main and Wastewater Force Main improvements.

Subsequent events have been evaluated by management through March 11, 2010, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 667,720	\$ ---	\$ 667,720	\$ 660,808	\$ 660,808	\$ 6,912
Tax increment financing collections	297,412	---	297,412	291,194	291,194	6,218
Other city tax	170,662	---	170,662	191,851	191,851	(21,189)
Licenses and permits	14,593	---	14,593	14,000	14,000	593
Use of money and property	11,965	32,625	44,590	48,500	48,500	(3,910)
Intergovernmental	305,970	7,200	313,170	258,379	258,379	54,791
Charges for service	30,433	3,468,767	3,499,200	3,330,568	3,630,568	(131,368)
Miscellaneous	127,373	115,493	242,866	48,305	248,305	(5,439)
Total Receipts	\$ 1,626,128	\$ 3,624,085	\$ 5,250,213	\$ 4,843,605	\$ 5,343,605	\$ (93,392)
Disbursements:						
Public safety	\$ 590,501	\$ ---	\$ 590,501	\$ 553,418	\$ 713,418	\$ 122,917
Public works	476,719	---	476,719	360,047	609,047	132,328
Culture and recreation	297,908	---	297,908	269,605	611,605	313,697
Community and economic development	70,805	---	70,805	299,494	299,494	228,689
General government	327,883	---	327,883	332,747	332,747	4,864
Debt service	876,026	---	876,026	137,297	462,297	(413,729)
Capital projects	352,917	---	352,917	538,092	538,092	185,175
Business type activities	---	4,526,191	4,526,191	4,061,155	5,221,737	695,546
Total Disbursements	\$ 2,992,759	\$ 4,526,191	\$ 7,518,950	\$ 6,551,855	\$ 8,788,437	\$ 1,269,487

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (1,366,631)	\$ (902,106)	\$ (2,268,737)	\$ (1,708,250)	\$ (3,444,832)	\$ 1,176,095
Other Financing Sources (Uses), Net	1,734,950	(250,479)	1,484,471	1,176,000	2,176,000	(691,529)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 368,319	\$ (1,152,585)	\$ (784,266)	\$ (532,250)	\$ (1,268,832)	\$ 484,566
Balances Beginning of Year	(16,130)	1,485,531	1,469,401	2,144,665	2,144,665	(675,264)
Balances End of Year	<u>\$ 352,189</u>	<u>\$ 332,946</u>	<u>\$ 685,135</u>	<u>\$ 1,612,415</u>	<u>\$ 875,833</u>	<u>\$ (190,698)</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING**

JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,236,582. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	Special Revenue					
	Road Use Tax	Employee Benefits	LOT - Street Improvement	Fire Department Gift Fund	Total	
Receipts:						
Property tax	\$ ---	\$ 159,628	\$ ---	\$ ---	\$ 159,628	
Other city tax	---	---	85,331	---	85,331	
Use of money and property	---	305	372	829	1,506	
Intergovernmental	194,979	---	40,834	---	235,813	
Miscellaneous	---	---	4,389	32,496	36,885	
Total Receipts	\$ 194,979	\$ 159,933	\$ 130,926	\$ 33,325	\$ 519,163	
Disbursements:						
Operating:						
Public safety	\$ ---	\$ ---	\$ ---	\$ 159,638	\$ 159,638	
Public works	138,638	---	261,350	---	399,988	
Community and economic development	---	---	---	---	---	
Debt Service:						
Principal	---	---	---	---	---	
Interest and fiscal charges	---	---	---	---	---	
Total Disbursements	\$ 138,638	\$ ---	\$ 261,350	\$ 159,638	\$ 559,626	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 56,341	\$ 159,933	\$ (130,424)	\$ (126,313)	\$ (40,463)	

CITY OF BELLEVUE
BELLEVUE, IOWASTATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue					
	Road Use Tax	Employee Benefits	LOT - Street Improvement	Fire Department Gift Fund	Total	
Other Financing Sources (Uses):						
Proceeds of debt	\$ ---	\$ ---	\$ 300,000	\$ 70,000	\$ 370,000	
Sale of capital assets	---	---	11,275	---	11,275	
Transfers out	---	(159,933)	(132,757)	(3,500)	(296,190)	
Total Other Financing Sources (Uses)	\$ ---	\$ (159,933)	178,518	\$ 66,500	\$ 85,085	
Net Change in Cash Balances	\$ 56,341	\$ ---	\$ 48,094	\$ (59,813)	\$ 44,622	
Cash Balances Beginning of Year	(22,415)	---	53,414	108,412	139,411	
Cash Balances End of Year	\$ 33,926	\$ ---	\$ 101,508	\$ 48,599	\$ 184,033	
Cash Basis Fund Balances:						
Unreserved:						
Special revenue funds	\$ 33,926	\$ ---	\$ 101,508	\$ 48,599	\$ 184,033	
Total Cash Basis Fund Balances	\$ 33,926	\$ ---	\$ 101,508	\$ 48,599	\$ 184,033	

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	Electric- Capital Equipment	Sewer Capital	Ambulance Gift Fund	Customer Deposits	Total
	-----	-----	-----	-----	-----
Operating Receipts:					
Miscellaneous	\$ ---	\$ ---	\$ ---	\$ 9,836	\$ 9,836
	-----	-----	-----	-----	-----
Operating Disbursements:					
Business type activities	\$ 96,269	\$ ---	\$ ---	\$ 8,871	\$ 105,140
	-----	-----	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under)					
Operating Disbursements	\$ (96,269)	\$ ---	\$ ---	\$ 965	\$ (95,304)
	-----	-----	-----	-----	-----
Non-Operating Receipts (Disbursements):					
Interest on investments	\$ 1,783	\$ 333	\$ 1,458	\$ 377	\$ 3,951
Contributions	---	---	12,000	---	12,000
Interfund debt repayment	64,089	---	---	---	64,089
Debt service:					
Principal	---	(160,000)	---	---	(160,000)
Interest and fiscal charges	---	(46,825)	---	---	(46,825)
	-----	-----	-----	-----	-----
Total Non-Operating Receipts (Disbursements)	\$ 65,872	\$ (206,492)	\$ 13,458	\$ 377	\$ (126,785)
	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (30,397)	\$ (206,492)	\$ 13,458	\$ 1,342	\$ (222,089)
	-----	-----	-----	-----	-----
Other Financing Sources (Uses):					
Operating transfers out	---	206,025	---	---	206,025
	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ (30,397)	\$ (467)	\$ 13,458	\$ 1,342	\$ (16,064)
	-----	-----	-----	-----	-----
Cash Balances Beginning of Year	145,809	6,160	79,988	27,083	259,040
	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 115,412	\$ 5,693	\$ 93,446	\$ 28,425	\$ 242,976
	=====	=====	=====	=====	=====
Cash Basis Fund Balances:					
Unreserved Cash Basis Fund Balances	\$ 115,412	\$ 5,693	\$ 93,446	\$ 28,425	\$ 242,976
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Sewer Improvement Note: Bankers Trust	January 1, 2000	4.70%-5.60%	\$ 400,000	\$ 125,000	\$ ---	\$ 40,000	\$ 85,000	\$ 6,880	\$ ---
Fire Truck Note: Bellevue State Bank	May 10, 1999	4.15%	200,000	23,950	---	23,950	---	748	---
Fire Station Note: Maquoketa Valley Electric Cooperative	July 23, 2001	---	102,467	40,987	---	10,247	30,740	---	---
Community/Senior Center Note:	December 29, 2003	3.19%	200,000	40,000	---	40,000	---	1,276	---
Street Improvement Note: Bellevue State Bank	August 15, 2005	3.49%	200,000	80,000	---	80,000	---	2,792	---
Equipment Note: Iowa Bank	August 1, 2006	4.50%	79,580	47,748	---	47,748	---	1,849	---
Street/Water/Sewer Improvements Note: Bankers Trust	September 1, 2006	3.90%-4.30%	1,850,000	1,525,000	---	165,000	1,360,000	63,374	---
Street Improvement Note: Iowa Bank	May 29, 2009	3.95%	150,000	---	150,000	---	150,000	---	---
Street Improvement Note: Bellevue State Bank	May 29, 2009	3.95%	150,000	---	150,000	---	150,000	---	---

CITY OF BELLEVUE
BELLEVUE, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Street/Sidewalk Improvement Note: Bellevue State Bank	May 29, 2009	3.95%	\$ 350,000	\$ ---	\$ 350,000	\$ ---	\$ 350,000	\$ ---	\$ ---
Street/Sidewalk Improvement Note: Iowa Bank	May 29, 2009	3.95%	350,000	---	350,000	---	350,000	---	---
Street/Sewer Improvement Note: Bellevue State Bank	August 13, 2008	3.49%	400,000	---	400,000	400,000	---	11,053	---
Total General Obligation				\$ 1,882,685	\$ 1,400,000	\$ 806,945	\$ 2,475,740	\$ 87,972	\$ ---

CITY OF BELLEVUE
BELLEVUE, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Sewer Note:									
Bankers Trust	February 1, 1999	4.10%-5.00%	\$1,700,000	\$ 815,000	\$ ---	\$ 120,000	\$ 695,000	\$ 39,145	\$ ---
Cable TV Notes:									
Bellevue State Bank	March 7, 2008	5.53%	1,000,000	989,748	---	45,508	944,240	52,884	---
Iowa Bank	March 7, 2008	5.53%	1,000,000	989,774	---	45,906	943,868	52,486	---
Total Revenue Notes				<u>\$ 2,794,522</u>	<u>\$ ---</u>	<u>\$ 211,414</u>	<u>\$ 2,583,108</u>	<u>\$ 144,515</u>	<u>\$ ---</u>
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	240,886	\$ 120,441	\$ ---	\$ 24,089	\$ 96,352	\$ ---	\$ ---
Water Fund - Interfund Loan	June 30, 2004	---	400,000	320,000	---	40,000	280,000	---	---
Fire Truck Note:									
Iowa Department of Public Safety	September 16, 2008	---	70,000	---	70,000	3,500	66,500	---	---
Total Other Obligations				<u>\$ 440,441</u>	<u>\$ 70,000</u>	<u>\$ 67,589</u>	<u>\$ 442,852</u>	<u>\$ ---</u>	<u>\$ ---</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2009**

General Obligation Notes

Year Ending June 30	Sewer Improvement		Fire Station		Street, Water, Sewer		Street Improvement	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	Issued January 1, 2000		Issued July 23, 2001		Issued September 1, 2006		Issued May 29, 2009	
2010	5.50%	\$ 40,000	.00%	\$ 10,247	4.050%	\$ 170,000	3.95%	\$ 21,425
2011	5.60%	45,000	.00%	10,247	4.100%	180,000	3.95%	21,425
2012	---	---	.00%	10,246	4.125%	185,000	3.95%	21,425
2013	---	---	---	---	4.150%	195,000	3.95%	21,425
2014	---	---	---	---	4.200%	200,000	3.95%	21,425
2015	---	---	---	---	4.250%	210,000	3.95%	21,425
2016	---	---	---	---	4.300%	220,000	3.95%	21,450
Total		\$ 85,000		\$ 30,740		\$ 1,360,000		\$ 150,000

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2009

General Obligation Notes

Year Ending June 30	Street/Sidewalk Improvement		Street/Sidewalk Improvement		Total
	Interest Rates	Amount	Interest Rates	Amount	
	Issued May 29, 2007		Issued May 29, 2009		
2010	3.95%	\$ 35,000	3.95%	\$ 35,000	\$ 333,097
2011	3.95%	35,000	3.95%	35,000	348,097
2012	3.95%	35,000	3.95%	35,000	308,096
2013	3.95%	35,000	3.95%	35,000	307,850
2014	3.95%	35,000	3.95%	35,000	312,850
2015	3.95%	35,000	3.95%	35,000	322,850
2016	3.95%	35,000	3.95%	35,000	332,900
2017	3.95%	35,000	3.95%	35,000	70,000
2018	3.95%	35,000	3.95%	35,000	70,000
2019	3.95%	35,000	3.95%	35,000	70,000
Total		\$ 350,000		\$ 350,000	\$ 2,475,740

BOND AND NOTE MATURITIES
JUNE 30, 2009

Revenue Notes					Other Obligations									
Year Ending June 30	Sewer		Cable TV		Cable TV		Water/Sewer Improvements		Water		Fire Truck Note			
	Issued February 1, 1999		Issued March 7, 2008		Issued March 7, 2008		Issued February 1, 2004		Issued June 30, 2004		Issued Sept. 16, 2008			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
2010	4.70%	\$ 125,000	5.53%	\$ 47,284	5.53%	\$ 47,284	\$ 219,568	---	\$ 24,089	---	\$ 40,000	---	\$ 7,000	\$ 71,089
2011	4.75%	130,000	5.53%	49,966	5.53%	49,966	229,932	---	24,089	---	40,000	---	7,000	71,089
2012	4.80%	140,000	5.53%	52,800	5.53%	52,800	245,600	---	24,089	---	40,000	---	7,000	71,089
2013	4.90%	145,000	5.53%	55,795	5.53%	55,795	256,590	---	24,085	---	40,000	---	7,000	71,085
2014	5.00%	155,000	5.53%	58,960	5.53%	58,960	272,920	---	---	---	40,000	---	7,000	47,000
2015			5.53%	62,304	5.53%	62,304	124,608	---	---	---	40,000	---	7,000	47,000
2016			5.53%	65,839	5.53%	65,839	131,678	---	---	---	40,000	---	7,000	47,000
2017			5.53%	69,573	5.53%	69,573	139,146	---	---	---	40,000	---	7,000	7,000
2018			5.53%	73,520	5.53%	73,520	147,040	---	---	---	40,000	---	7,000	7,000
2019			5.53%	77,690	5.53%	77,690	155,380	---	---	---	40,000	---	7,000	7,000
2020			5.53%	82,097	5.53%	82,097	164,194	---	---	---	40,000	---	7,000	7,000
2021			5.53%	86,753	5.53%	86,753	173,506	---	---	---	40,000	---	7,000	7,000
2022			5.53%	91,674	5.53%	91,674	183,348	---	---	---	40,000	---	7,000	7,000
2023			5.53%	69,985	5.53%	69,613	139,598	---	---	---	40,000	---	3,500	3,500
Total		\$ 695,000		\$ 944,240		\$ 943,868	\$2,583,108		\$ 96,352		\$ 280,000		\$ 66,500	\$ 442,852

CITY OF BELLEVUE
BELLEVUE, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	2009	2008	2007	2006	2005	2004	2003
Receipts:							
Property tax	\$ 667,720	\$ 644,719	\$ 642,154	\$ 546,571	\$ 498,867	\$ 487,876	\$ 543,041
Tax increment financing collections	297,412	293,229	51,096	76,502	66,993	67,051	37,085
Other city tax	170,662	169,377	168,422	144,020	141,572	164,223	173,660
Licenses and permits	14,593	13,420	13,421	11,327	9,760	4,803	4,780
Use of money and property	11,965	23,776	48,022	36,768	19,623	66,214	17,434
Intergovernmental	305,970	267,203	256,036	300,198	430,717	262,901	331,270
Charges for services	30,433	35,237	35,284	37,140	27,336	23,310	24,672
Miscellaneous	127,373	130,960	62,297	91,906	95,226	147,064	47,042
Total	\$ 1,626,128	\$ 1,577,921	\$ 1,276,732	\$ 1,244,432	\$ 1,290,094	\$ 1,223,442	\$ 1,178,984
Disbursements:							
Operating:							
Public safety	\$ 590,501	\$ 406,646	\$ 401,721	\$ 383,556	\$ 358,504	\$ 374,221	\$ 354,078
Public works	476,719	419,147	2,048,764	576,783	336,235	292,279	211,154
Culture and recreation	297,908	240,738	274,190	273,144	373,284	552,543	253,251
Community and economic development	70,805	7,053	6,987	10,055	12,630	9,259	18,112
General government	327,883	327,948	358,703	397,234	259,011	259,108	277,566
Debt service	876,026	456,016	440,669	200,076	182,654	199,858	237,793
Capital projects	352,917	431,850	---	---	---	50,520	---
Total	\$ 2,992,759	\$ 2,289,398	\$ 3,531,034	\$ 1,840,848	\$ 1,522,318	\$ 1,737,788	\$ 1,351,954

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 11, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bellevue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to

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prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bellevue's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Bellevue's financial statements that is more than inconsequential will not be prevented or detected by the City of Bellevue's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Bellevue's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09, I-B-09, and I-C-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Bellevue's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Bellevue's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bellevue and other parties to whom the City of Bellevue may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa

March 11, 2010

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES

I-A-09 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

I-B-09 Vendors - The City Clerk is able to add new vendors to the City's records without approval of the City Council or City Administrator.

Recommendation - The City should require approval of the City Council and City Administrator for all additions to the City's vendor listing. On a monthly basis, any new vendors that have been added to the City's records should be approved by the City Council and City Administrator.

Response - We will investigate ways to implement this change.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part I: Findings Related to the Financial Statements: (Continued)

I-C-09 Adjusting Journal Entries - Several adjusting entries were proposed to management to represent a fair presentation of the financial statements. The most significant adjustment was reclassifying debt service payments.

Recommendation - We recommend the City implement procedures to reasonably assure that account balances are fairly stated.

Response - We will consider this.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marie Zeimet, Administrative Staff, Owner of Zeimet's Garage, Inc.	Repairs & Maintenance	\$ 1,219
Rick Heiar, Equipment Operation	Equipment Rental	\$ 666

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the employees do not appear to represent conflicts of interest since the transactions with each individual were less than \$1,500 during the fiscal year.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but weren't.

II-G-09 Revenue Notes - No instances of non-compliance with the revenue note resolution were noted.

II-H-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-I-09 Financial Condition - The TIF District Fund, Capital Projects Fund, Sewer Rental Fund, and Telecommunications Fund had deficit balances at June 30, 2009, in the amount of \$496, \$369,106, \$75,487 and \$905,017, respectively.

Recommendation - The City should investigate alternatives to eliminate the deficits in these funds in order to return the funds to a sound financial position.

Response - We have increased our TIF request for fiscal year 2010 to cover the shortfall. The Capital Projects Fund will be receiving grant funds from the State of Iowa to cover the shortage. We are refinancing the debt of the wastewater utility and have raised rates to replenish the Sewer Rental Fund. We are refinancing the telecommunications debt, which will infuse approximately \$200,000 into the Telecommunications Fund, and we have also raised rates.

Conclusion - Response accepted.

- II-J-09 Payment of General Obligation Notes - Certain general obligation notes were paid from the TIF District Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the Debt service fund.

Recommendation - The City should transfer from the TIF District Fund to the Debt Service Fund for future funding contributions. Payments for the notes should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

- II-K-09 Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.